



Morning Energy, powered by America's Natural Gas Alliance: The other Mitt Romney - Tough day to be Fred Upton - CAFE showdown in Detroit - Uproar over climate in the classroom
POLITICO Pro Energy to: Arvin Ganesan

01/17/2012 06:05 AM

From: POLITICO Pro Energy <morningenergy@politicopro.com>
To: Arvin Ganesan/DC/USEPA/US@EPA,
Please respond to morningenergy@politicopro.com

By Patrick Reis | 1/17/12 6:03 AM EST

With help from Darren Samuelsohn, Erica Martinson and Alex Guillén

THE GHOST OF ROMNEY PAST — Candidate Mitt Romney is toeing the GOP party line on energy, but back when he was governor of Democrat-dominated Massachusetts, Romney was far from a partisan hard-liner.

Romney's highest-profile energy work as governor took place during the two-plus years he spent preparing a regional cap-and-trade compact for climate change, a pact he later pulled out of amid intense business lobbying.

But Romney's tenure on Beacon Hill included several other forays into the green realm, and some Democrats say the former governor's take on energy issues means bipartisan surprises are possible if he makes it to the White House. Samuelsohn has the story for Pros: <http://politico.pro/xh5hAA>

RIGHT SAID FRED: TOO LEFTY FOR YOUR PARTY? Tuesday is going to be a rough one for Fred Upton. The Club for Growth's political arm is launching a fresh ad attack against Upton, slamming him for a three-year-old "liberal" vote against an amendment to strip \$350 billion out of the 2009 stimulus bill (the ad: <http://bit.ly/ySvw8a>).

And while the club hits Upton for his past, a challenger is taking aim at his future: former state Rep. Jack Hoogendyk is expected to announce that he'll run against Upton in the Aug. 7 Republican primary. Hoogendyk mounted a tough challenge against Upton in 2010, holding the incumbent to 57 percent of the vote despite getting outspent 18-to-1. Samuelsohn's on this as well: <http://politico.pro/ACxjBm>

MOPEY TUESDAY AND WELCOME TO MOURNING ENERGY, where your host and Cheese Nation have entered the winter of our discontent following the Packers' collective playoff bed-soiling. Cheer your host up — or taunt him at your own risk — by sending your best energy news to preis@politico.com.

MOTOWN SHOWDOWN — EPA and Transportation Department officials head to Detroit today for a public hearing on their plan to tighten fuel economy standards for the years 2017 to 2025. The administration is pushing the plan as a piece of its climate strategy, while critics are accusing EPA of shady dealings with automakers while crafting the arrangement. The action starts at 10 a.m.

THE HOUSE KICKS OFF 2012 TODAY, featuring a House rules panel meeting at 5 p.m. in room H-313 of the Capitol to prepare a floor rule for an upcoming disapproval resolution on a debt limit raise.

CROSS-TOWN TRAFFIC — The House is returning to a mountain of unresolved transportation issues with little room for error and little time to get up to speed. There will be immediate urgency to address the FAA before the agency's funding expires at month's end, and that's just the beginning. Transportation gurus Burgess Everett and Adam Snider have the story for Pros: <http://politico.pro/ymtq4B>.

ENERGY ON TAP? — Energy is one of the few areas where Congress might look past campaign-season gridlock to pass legislation in 2012, writes POLITICO's Scott Wong. Comprehensive measures are a nonstarter, but smaller bills like a popular energy efficiency package proposed by Sens. Jeanne Shaheen (D-N.H.) and Rep. Rob Portman (R-Ohio) could break through this year. Of course, a White House denial of the Keystone XL pipeline "could singlehandedly squander any goodwill with Republicans when it comes to energy," Wong writes: <http://politico.pro/AmiSaX>.

JACKSON ON DIMOCK — EPA head Lisa Jackson criticized Pennsylvania officials' actions surrounding a natural gas controversy in Dimock, Pa., where town residents have been receiving bottled water amid fears that their ground supplies are contaminated by drilling. Jackson said Friday in Philadelphia that it was "puzzling" that Pennsylvania's environment secretary criticized EPA's knowledge of the situation last week, saying his stance wouldn't help the town's residents.

Jackson's comments followed her appearance at a conference at Philadelphia's Academy of Natural Sciences, where a handful of Dimock residents rallied for her to take action on their behalf. Associated Press: <http://bit.ly/zEGIRW>.

HEY, TEACHER, LEAVE THEM HYDROCARBONS ALONE — Teachers nationwide are being pressured to leave lessons on climate change out of the classroom, according to the National Centre for Science Education. The group, which for three decades has defended instruction on evolution, says that climate change education is increasingly under fire. The group is now offering educators advice on how to deal with students, parents and others who oppose climate education. London Guardian: <http://bit.ly/xNEpIM>.

** A message from America's Natural Gas Alliance: ANGA member companies are proud of the innovative methods being developed to unlock America's natural gas resources safely and responsibly. Learn more about these innovations. <http://bit.ly/qpFTTr> **

STOP ME IF YOU'VE HEARD THIS ONE BEFORE — Aside from a now-familiar call from Mitt Romney for expanded domestic energy exploration and a moderator's mention of Solyndra that wasn't followed up on by any candidates, last night's South Carolina GOP debate was bereft of energy policy discussion. That state's primary is on Saturday.

KEEPING THE PRESSURE ON — The National Republican Congressional Committee is launching a Web ad today that parodies Rachel Maddow's take on the Hoover Dam to call on Obama to approve the Keystone XL pipeline. The "lean backwards" ad: <http://bit.ly/yohQpH>. Maddow's original: <http://bit.ly/i72esS>.

MOTION DENIED — An appeals court won't consider a controversial report faulting the process behind EPA's declaration that greenhouse gases endanger public health and welfare. In a one-line ruling Friday, the U.S. Court of Appeals for the District of Columbia Circuit denied requests to consider the report by EPA's Inspector General in Coalition for Responsible Regulation, et al. v. EPA. The case tests the agency's December 2009 endangerment finding and four climate change regulations that it underpins. Oral arguments are scheduled for Feb. 28-29.

Those seeking to include the report say it shows that the EPA acted hastily in issuing the finding. The EPA has said in briefs that it critically examined all available relevant scientific information. The agency also said that groups seeking to include the report did not meet filing requirements and, at any rate, mischaracterized what the report says.

TWO-MINUTE DRILL

-- Nigerian President Goodluck Jonathan has partially reinstated fuel subsidies after an initial repeal sparked mass rioting and threatened to disrupt the country's oil exports. New York Times: <http://nyti.ms/woEE0V>. In response to the announcement, Nigeria's unions suspended their strike. Reuters: <http://reut.rs/yL53z8>.

-- Gas prices continued to creep up last week, with the nation's average gallon costing just shy of \$3.39 to start the week, up more than a cent from a week ago. This time last year a gallon was going for just under \$3.10, according to AAA. <http://bit.ly/fag5ja>.

-- Former Areva CEO Anne Lauvergeon is accusing former top officials at the French nuclear giant of keeping tabs on her via a private investigator, The Wall Street Journal reports: <http://on.wsj.com/xGFzj0>.

-- OPEC has not changed its forecast for 2012 oil demand, but the cartel did warn that Europe's debt crisis could decrease global consumption. Bloomberg: <http://bloom.bg/wtMmpZ>.

-- Supertankers are facing a tough year as U.S. refineries contract. Bloomberg: <http://bloom.bg/zCQ4nQ>.

-- Canada's Pembina Pipeline Corp. has agreed to pay \$3.1 billion to buy natural gas-liquids infrastructure firm Provident Energy Ltd. Wall Street Journal: <http://on.wsj.com/yPi7V2>.

-- Military bases in western states are home to high-potential sites for the collection of solar energy, according to a new Department of Defense report. Federal News Radio: <http://bit.ly/zEVUU7>.

-- Michael Mann reflects on his years spent under attack from critics of climate science. The London Independent: <http://ind.pn/zIAEkM>.

-- Washington Post columnist Michael Gerson writes that climate change has become a central issue in the culture war because "a scientific debate has been sucked into a broader national argument about the role of government." His column: <http://wapo.st/zLt7JU>.

-- The Wall Street Journal editorial board says the White House's recent positive report on shale gas is a positive development, but the writers are skeptical the embrace will amount to more than election-year politics given the administration's previous record and say: "A good test of [Obama's] sincerity would be to replace Ms. Jackson and Mr. Salazar": <http://on.wsj.com/AbJvBY>.

FROM FRIDAY'S SOLYNDRA DOCUMENT DUMP

-- The release included a March 6, 2009, memo circulated among dozens of White House staffers, including David Axelrod, Jim Messina and Carol Browner, that stated: "Serious consideration being given to having the president announce on March 19th during his California trip that DOE is offering a loan guarantee to Solyndra." At that moment, however, the memo noted that neither DOE's Credit Committee nor its Credit Review Board had met to discuss the loan guarantee.

-- For those not keeping score at home, it's important to recall the DOE Credit Committee had sent the Solyndra loan guarantee back for further review at the end of the George W. Bush administration. It then met March 12, 2009, and gave its approval. The Credit Review Board then met on March 17 and recommended Energy Secretary Steven Chu issue the conditional commitment. Chu went public with the Solyndra news on March 23.

-- Obama's lawyers explained that Herb Allison's 60-day review that's set to wrap up at the end of this month "is focused on evaluating the current state of the DOE loan guarantee portfolio, and not on looking back at the decisions whether to issue particular loan guarantees."

-- Obama's lawyers ended their letter to the House Republicans with yet another request to end the madness. "While we remain willing to work with the committee to discuss further requests, it seems clear at this point in the committee's investigation, after more than 186,000 pages from the Executive Branch, more than 72,000 pages from Solyndra investors, and multiple hearings, briefings and interviews, that the committee has received an abundant amount of information to more than satisfy the committee's legitimate oversight interests and to aid its legislative function."

-- It'll be up to the DOE inspector general to decide whether to investigate internal emails showing department officials urged Solyndra officials to delay release of news on layoffs until after the 2010 mid-terms. DOE spokesman Damien LaVera said Friday, "To ensure this issue gets appropriate review, we turned the matter over to the department's inspector general. This is consistent with the department's commitment to being fully open and transparent throughout this investigation." A DOE IG spokesperson did not respond to requests for comment.

TODAY'S RUNDOWN

8 a.m. — House Democratic leader Nancy Pelosi discusses her plans for the new session of Congress at a POLITICO Playbook Breakfast with Mike Allen. The Newseum. <http://bit.ly/yKmltn>.

9 a.m. — Secretary of the Interior Ken Salazar and U.S. Fish & Wildlife Service Director Dan Ashe will announce new developments regarding the administration's Florida Everglades restoration effort at various Florida events.

1:15 p.m. — Karen Douglas, commissioner of the California Energy Commission, joins other state power players at a media roundtable during the Geothermal Energy Association's finance forum in San Francisco. More on the forum: <http://bit.ly/t3SHZC>.

6 p.m. — The Office of Surface Mining and the Bureau of Land Management will hold the first in a string of public meetings on the Interior Department’s plan to incorporate OSM into BLM. <http://on.doi.gov/vS66Ce>.

NOW IF YOU’LL EXCUSE ME, your host is going to sneak off to sleep before he gets visited by the ghost of Fourth and 26. For those of you whose emotional stability isn’t built around a professional sports team on which you do not play and whom you cannot influence: 1) Well-played. 2) Enjoy some Jimi Hendrix: <http://bit.ly/deYbO3>.

** A message from America’s Natural Gas Alliance: One solution for more abundant domestic energy is staring us in the face. Natural gas is the natural choice — now and in the future. We know we need to use cleaner, American energy. And, we have it. Today, the U.S. has more natural gas than Saudi Arabia has oil, giving us generations of this clean, domestic energy source. Natural gas supports 2.8 million American jobs, most states are now home to more than 10,000 natural gas jobs. As Congress and the Administration look for ways toward a cleaner tomorrow, the answer is right here: natural gas. Learn more at www.anga.us. And, follow us on Twitter @angaus. **

Stories from POLITICO Pro

[Romney's Massachusetts record presents a complex green picture](#)

[Club for Growth ads, primary challenge coming against Upton](#)

[Congress looks to go from zero to 60 on transportation](#)

[Five issues that could defy gridlock](#)

Romney's Massachusetts record presents a complex green picture [back](#)

By Darren Samuelsohn | 1/17/12 5:33 AM EST

Beneath the fog of presidential campaign rhetoric is another Mitt Romney, someone with his own complicated track record handling the dicey terrain surrounding energy and environmental policy in Democrat-dominated Massachusetts.

Romney's highest-profile work on these issues involved more than two years preparing a regional cap-and-trade compact for climate change, although he later pulled out after intense business lobbying.

But he made several other forays in the green realm too.

Alongside Democratic Sen. Edward Kennedy, Romney opposed the controversial Cape Wind renewable energy project off the state's coast. He met with neighboring state governors and Canadian premiers for talks on acid rain and mercury. Romney also reorganized key agencies that handled energy, transportation, air and water pollution and state parks, and he established a Green Energy Fund that propped up clean energy business ventures.

While Romney's Beacon Hill history is certainly no definitive guide for how he would govern as president, former advisers and adversaries note that the front-runner for the GOP nomination has plenty of experiences he can draw upon.

Some Democrats even say Romney's understanding of energy issues suggests that bipartisan surprises could be possible if he made it to the White House.

"I think there's some integrity to his thinking about a lot of subjects ... that he doesn't necessarily wear on his sleeve on the campaign trail," said Steve Burrington, a Democrat whom Romney appointed as undersecretary in the Office for Commonwealth Development and later as commissioner of the Department of Conservation and Recreation. "He may be the Nixon-goes-to-China kind of guy who can work these things in a way that doesn't involve political train wrecks as president. That's the bright possibility."

"I'm skeptical but hopeful that if he were to ultimately win the election that his saner self would prevail," added Cindy Luppi, regional director for Clean Water Action in Boston.

On the campaign trail, Romney says he’s a climate change skeptic and promises to undo many of President Barack Obama's environmental regulations. He would pursue a “drill-baby-drill” approach to energy production. But beyond a pledge to amend the Clean Air Act so that it can’t be used to regulate greenhouse gases, Romney has not gone into much detail on policy or legislative specifics.

Case in point: a presidential debate in New Hampshire earlier this month when Romney got a question about whether he supported an Obama EPA regulation targeting power plant pollution that drifts into the Northeast. Unlike Newt Gingrich, Rick Santorum and Ron Paul, who seldom miss a chance to bash the EPA, Romney didn't go after the agency. His answer avoided a direct response on how he'd handle the rule, instead acknowledging the region's emissions troubles and then pivoting to support drilling for natural gas.

"He ended up artfully ducking the question," said Massachusetts state Rep. Lori Ehrlich, who served as a Democratic member of Romney's 2002 transition team on environmental issues.

"Part of me is thinking I'm glad he had the training as a downwind governor to at least appreciate that there's nothing we can do as a state to protect our citizens here if it's coming in from another state," Ehrlich said. "I was glad to hear at least he didn't throw the EPA under the bus."

Romney's track record in Boston shows he does have a green streak. A month into his term, Romney in February 2003 spoke in front of an aging coal-fired power plant in Salem, Mass., to announce he was denying the company’s requests for a permit extension.

"I will not create jobs or hold jobs that kill people, and that plant, that plant kills people," Romney said in a tone that caught many in attendance by surprise.

Just as he's talked about streamlining federal government agencies during the presidential campaign, Romney pushed through some

notable overhauls.

He created the Office for Commonwealth Development by combining four independent departments that worked on energy, environmental, housing and transportation issues. Romney lured into his administration Doug Foy, a respected Boston environmentalist and president of the Conservation Law Foundation, by offering him a job as the office's first secretary.

Foy's office took on traffic congestion, sprawl and land-use regulations. It set up legal incentives for smart-growth planning and established a fund to help cities pay for the new approaches.

Seth Kaplan, who worked with Foy at the Conservation Law Foundation, noticed a clear indication that the smart-growth issues had traction in the governor's office. "You can tell the Romney administration really cared about something if there was a good PowerPoint about it," he said.

Romney also signed legislation creating the Department of Conservation and Recreation, merging long-underfunded agencies responsible for state parks, skating rinks, swimming pools and band shelters. "People were at their wit's end," Burrington said. "Romney, to his credit, said we have to do better."

Work on climate change was a bit more complicated. In the summer of 2003, Romney told religious leaders visiting his office for a meeting about global warming that he was concerned about low-lying areas such as Boston and Bangladesh. He recounted the unique environmental characteristics of New Hampshire, where he has a vacation home.

"I remember at the time being impressed," said Sister Tess Browne, a Roman Catholic nun from Quincy, Mass., who attended the meeting with Romney. "He showed he understood there were several benefits of moving away from carbon-emitting, energy-intensive resources. He was very well briefed and educated on the issue."

Romney's May 2004 Climate Action Plan outlined dozens of steps to tackle climate change and highlighted protecting public health and the environment as a reason for acting. But it also came with an eyebrow-raising — some say politically calculating — caveat.

"If climate change is happening, the actions we take will help," Romney wrote in the cover letter to the report. "If climate change is largely caused by human actions, this will really help. If we learn decades from now that climate change isn't happening, these actions will still help our economy, our quality of life and the quality of our environment."

Foy also worked for more than two years with staff to New York Republican Gov. George Pataki and other officials from neighboring states on the cap-and-trade plan that came to be known as the Regional Greenhouse Gas Initiative. On occasion, Romney spoke publicly about key details of the market-friendly approach, describing it in 2005 as "good business."

But pressure to drop out of RGGI also picked up from his economic advisers and a key statewide industry trade group, the Associated Industries of Massachusetts. Romney's announcement that the state would leave RGGI came on Dec. 14, 2005, the same day he said he wouldn't seek a second term, setting up his eventual presidential run.

"It was definitely disappointing the way it ended up," said Jason Roeder, Foy's deputy chief of staff and a former associate consultant at Bain Capital. "Doug and a lot of us had put a lot into it. To lose that kind of battle was a big downer to say the least."

Roeder said he doesn't know if Romney's presidential aspirations killed Massachusetts's role in RGGI, but he thinks it was a factor. "At that juncture, everything important was going through that filter somewhere," he said.

Foy did not respond to requests for comment. But several others who worked on the issue say Romney's handling of RGGI offers insights into how he'd operate as president.

"Mitt Romney as governor chose to keep on or bring in a pretty strong group of environmental advocates and allowed them a broad latitude of policymaking opportunities and then repudiated their work even while he was paying detailed attention to it," said Jim Marzilli, a former Democratic member of the state House and Senate. "I expect a President Romney, should there be one, would bring in folks who have real skills, keep them engaged, and then choose to ignore their best advice no matter how good the advice is."

"He's a guy who makes his decisions behind the scenes and then presents them fully formed," added Kaplan, now the vice president for policy and climate advocacy at the Conservation Law Foundation. But in the case of RGGI, with so much discussion in the open, "it was an unusual moment of public deliberation."

Romney's campaign also touts the RGGI withdrawal, describing it as one of his biggest accomplishments on energy issues as governor because it helped improve the state's business climate.

"Gov. Romney proved in Massachusetts that environmental protection and economic growth are not incompatible," said Romney spokeswoman Andrea Saul. "In fact, they can go hand-in-hand if the government is willing to listen to the concerns of industry and take steps to ensure that regulations do not create uncertainty or impose unnecessary economic burdens."back

Club for Growth ads, primary challenge coming against Upton back

By Darren Samuelsohn | 1/17/12 6:02 AM EST

Tuesday will be a tough day for Rep. Fred Upton.

The Club for Growth's political arm is launching a fresh ad attack against Upton, slamming him for a three-year-old vote against an amendment to strip \$350 billion out of the 2009 stimulus bill.

"That's right, Congressman Fred Upton voted to keep funding in the Obama stimulus bill," says the Club for Growth ad running on cable television in the southwestern Michigan district. "That's liberal. Upton. 25 years in Washington is enough."

Also Tuesday, former state Rep. Jack Hoogendyk is expected to announce at a noon event in Kalamazoo, Mich., that he's challenging Upton in the Aug. 7 primary.

Ads from the Club for Growth have already been running in Upton’s district for two weeks criticizing the Energy and Commerce chairman for votes backing the Wall Street bailout, an increase in the debt limit and congressional pay hikes, as well as earmarks that included Alaska's infamous “Bridge to Nowhere.”

With its newest commercial, the Club for Growth is going after Upton for voting with 42 other Republicans against an amendment from Rep. Randy Neugebauer (R-Texas) to whittle down the \$787 billion stimulus package.

Club for Growth officials met last fall with Hoogendyk, who held Upton to 57 percent of the vote in 2010 despite getting outspent 18-to-1. So far, the conservative group hasn’t announced its endorsement, though it made it clear on Tuesday that it wants to knock off Upton. "After 25 years of Fred Upton, it’s time for Michigan Republican primary voters to make a change,” President Chris Chocola said.

Upton so far has brushed off the Club for Growth attack ads and the prospect of a rematch with Hoogendyk. "Michigan families are more concerned with their next paycheck than they are with the next election," Upton told POLITICO last week. "Creating jobs has been and will continue to be job No. 1."back

Congress looks to go from zero to 60 on transportation back

By Burgess Everett and Adam Snider | 1/16/12 7:47 PM EST

The House returns Tuesday to a mountain of unresolved transportation issues with little room for error and little time to get up to speed.

There will be immediate urgency for both chambers (the Senate reconvenes Jan. 23) to address the FAA, as its funding expires Jan. 31. That’s just the beginning — transit riders are clamoring for an expired tax provision to be renewed and the trucking industry is in a frenzy over new hours-of-service rules. Just around the corner: Surface transportation law runs out March 31.

Partisan bickering on extending a 2 percent payroll tax cut past Feb. 29 could easily suck up the oxygen in Congress and lead to further stopgap extensions on FAA and highway funding — an unpalatable scenario for leaders after 30 extensions over more than 2,400 days for the two laws.

“If we want to ensure we have high unemployment, have stopgaps. If we want to have high employment,” we need new bills, Transportation and Infrastructure Committee Chairman Rep. John Mica (R-Fla.) said in an interview.

Here’s a look at how Congress left transportation when it bolted in December and what it now has to do about it.

Stop the shutdown

Avoiding a possible second partial FAA shutdown in six months is a must. A two-week stalemate last summer over Essential Air Service subsidies for rural flights put 4,000 FAA employees out of work, cost the Airport Improvement Program more than \$300 million and reflected poorly on Capitol Hill as a whole.

Funding expires in exactly two weeks, and Congress had 4½ months since the last stopgap to work on a new long-term bill, the most breathing room since 2009. Optimism on getting a new four-year bill persisted until winter set in, when it was revealed controversial National Mediation Board language over how union election votes are interpreted forced negotiations between Senate Majority Leader Harry Reid (D-Nev.) and House Speaker John Boehner (R-Ohio).

Mica said leadership staff made “minor progress” during negotiations over the winter recess and that discussions on the labor issue, general funding levels, the Essential Air Service program and flight slots at Ronald Reagan Washington National Airport are fluid but within reach. Still, the clock is ticking.

“There’s going to be an emergency assessment [this] week when we get back,” Mica said. “If I don’t have an agreement or time to finish the language, ... we have to kind of convene a quick conference.”

Aviation’s “big four” — Mica, Rep. Nick Rahall (D-W.Va.), Senate Commerce Committee Chairman Jay Rockefeller (D-W.Va.) and Sen. Kay Bailey Hutchison (R-Texas) — say a pre-conferenced bill could easily pass both chambers before the Jan. 31 deadline. But each passing day makes a stopgap bill more imminent.

“Unless the two leaders get together and something is struck the soonest, then we’re running up against another extension,” said Rahall, ranking member of the Transportation and Infrastructure Committee. “We can’t afford to keep passing short-term stopgaps. We have the danger of going through that whole brinkmanship again we went through in August. The country suffered, no money was saved. And jobs were lost.”

Mica and Rahall are in lock step on avoiding a short-term extension unless the purpose is to buy a few days for a longer bill to be agreed upon.

“If I have to do a stopgap and I don’t have an agreement, it won’t be a pretty one. I’m hoping not to go that route and we are hoping to conclude this. If we have that agreement, I’ll agree to a very short-term bill,” Mica said.

Finally pass a highway bill

The highway and transit bill is the biggest and most complicated piece of transportation legislation Congress will tackle this year, and there’s no guarantee it will reach the finish line.

Boehner said last week the chamber will move an infrastructure-energy combo bill “in the coming weeks and months.” A rough timeline puts House Republicans’ introduction of a surface transportation bill sometime in February, a large component to improving the country’s employment rolls, Mica said.

“The transportation bill is a major jobs bill not only for Republicans but Congress as a whole,” he said, noting stopgaps make planning large projects difficult if not impossible. “Every project I see willing to put people to work for the longer term is in limbo.”

But that proposal — which shores up the beleaguered Highway Trust Fund with drilling revenues — is already under heavy fire from Senate and House Democrats. Oklahoma Sen. Jim Inhofe, the top Republican on the Senate Environment and Public Works Committee, has repeatedly said drilling leases won't raise nearly enough money.

The money situation isn't any better over in the Senate. A two-year EPW bill needs around \$12 billion to plug trust fund shortfalls. Finance Committee members have been working to find that money — so far to no avail. Mica prefers a longer bill of up to six months and called 24-month legislation a “disaster.”

The Senate also needs a transit bill marked up in the Banking Committee. EPW and Commerce have approved their parts, but Banking members were unable to schedule a markup in December.

After the payroll tax, Reid said Sunday on “Meet the Press” that the two main transportation bills are among the most important for Congress to resolve this year.

“The agenda that I'm moving forward on, I hope with some cooperation from Republicans this time, is to do something about creating jobs. Our surface transportation bill, it will save a million jobs and create a lot more jobs. Federal Aviation Administration, that's more than 200,000 jobs,” Reid said.

One strategy suggested by former Gov. Ed Rendell (D-Pa.), a co-chairman for Building America's Future, is to extend current FAA and transportation policy through the end of 2012 to avoid election-year partisan politics. Though Rahall said, “I want to see us do ... both bills, early in this year, the political schedule adds a urgency to us doing something now,” Rendell's playbook may be inevitable.

“I suspect that that makes sense. It's probably the reality of what's going to occur. The electoral politics have really been a problem,” said Rep. Steve Cohen (D-Tenn.), a Transportation Committee member.

Equalize transit and parking benefits

On the first day of 2012, a benefit for commuters that allowed them to use up to \$230 a month in tax-free dollars on public transportation dropped to \$125, effectively costing riders and their employers hundreds of dollars a year. At the same time, drivers saw their parking benefits rise \$10 a month.

The stimulus-era benefit still can be taken up by the House Ways and Means Committee and Senate Finance, chaired by Dave Camp (R-Mich.). A Ways and Means aide said tax extender provisions are often taken up retroactively.

In the Senate, Democratic Policy Committee Chairman Sen. Chuck Schumer of New York has said he is going to fight for the benefit.

“The fact that this transit tax credit expired as the clock struck 12 on New Year's is unacceptable, and I'm going to do everything I can to see the full extension of these commuting benefits,” the Finance Committee member said at a New York commuter rail station.

D.C.'s Metro has estimated ridership could drop by as much as 3 percent should the benefit not be extended — but the nation's second-busiest subway system is not preparing for the worst. A 2013 budget draft assumes the benefit's renewal, which could translate to higher fares should the extension stall.

Keep an eye on DoT

Republicans eager to bash the Obama administration will continue their crusade against some of the Transportation Department's prominent regulations and programs.

One top target is a controversial rule restricting how long truckers can drive and how much (and when) they must rest each day. The rule takes effect in 2013, leaving plenty of time for Congress to block it or for industry groups to file lawsuits.

At a House Oversight and Government Reform hearing late last year, Republicans and industry officials said the rule would cost nearly \$1 billion but wouldn't make a dent in accident figures.

California's high-speed rail project, now estimated to cost nearly \$100 billion, will be another GOP punching bag. The Transportation and Infrastructure Committee held two hearings on HSR late last year — the second of which was dedicated to trash-talking the California project. A recent shake-up of the state's High-Speed Rail Authority leadership means members will continue to keep a close eye on things.back

Five issues that could defy gridlock back

By Scott Wong | 1/16/12 7:39 PM EST

Congress won't be jamming through any landmark legislation in this politicized election year, but that doesn't mean it's all partisan gridlock now through November.

Naysayers predict that without some major external event — gas prices spiking to more than \$4 a gallon or an economic collapse in Europe — congressional leaders will have little incentive to act on game-changing legislation like the 2009 stimulus package or 2010's Wall Street reform. After all, Republicans will spend much of the year working to wrest control of the White House and Senate from Democrats in November.

“I think it will be tough to move anything big in this environment,” said Rep. Jeff Flake (R-Ariz.), who's running for the Senate.

But other lawmakers say 2012 still offers a chance to make progress in areas such as tax reform, transportation, energy and health care. And defense hawks are determined this year to spare the Pentagon from deep automatic cuts brought on by the failure of the deficit supercommittee last fall.

Here are five issues that could rise above the partisan chatter — even if they fall short of becoming law:

Tax reform

The supercommittee talks that collapsed just before Thanksgiving came close to producing an agreement on tax reform, even if other parts of the deal didn't materialize. And while many have written off the deficit-cutting panel as an abject failure, some members say it would be wise to build off the supercommittee's work — "good policy" as Ohio Republican Sen. Rob Portman put it.

"We made a lot of progress, Republicans and Democrats alike, in coming up with a sensible way to reduce the top corporate rate, a more competitive international tax regime, and to do it without raising taxes and without having any revenue impact," Portman, who served as President George W. Bush's budget director, said in an interview.

Tax Code reform could get some serious discussion in 2012 — even if there's little chance a bill makes it to the president's desk. Congress won't be under the strict deadlines that the supercommittee faced, nor will reform measures be tied to that panel's mandate to find more than \$1 trillion in budget savings.

Yet not all who served on the supercommittee share that same sunny outlook.

"We found on the supercommittee, at least in dealing with wholesale reform, it's a bigger bite. And it's not a bite you take during an election year," said Rep. Xavier Becerra (D-Calif.). "It's just too tough."

Infrastructure

Senate Republicans derailed Democrats' \$60 billion infrastructure jobs bill last fall, objecting to the millionaires' tax proposed to pay for the spending. But funding local roads, bridges and railroads is popular with both parties, and Congress appears on track to pass a long-term highway transportation bill before the money runs out March 31.

The Senate plan would keep funding at current levels for the next two years, while the House plan would scale back funding but extend it for six years. Disagreements over how to pay for it still remain, with House Speaker John Boehner (R-Ohio) proposing to use revenue from expanded oil drilling.

Sen. Claire McCaskill (D-Mo.), who backs the two-year approach, thinks any bipartisan agreement should also include an infrastructure bank — what she calls a fancy Washington word for a toll roads program, a key component of the jobs bill she introduced last month with Sen. Susan Collins (R-Maine).

Energy

Cap and trade have become dirty words on Capitol Hill, but smaller bills like a popular energy efficiency package proposed by Sens. Jeanne Shaheen (D-N.H.) and Portman could break through this year.

The bill, which cleared the Senate Energy Committee last year on a bipartisan 18-3 vote, would encourage businesses and homeowners to adopt technology — including computer-controlled thermostats and energy-efficient motors — to save energy and create jobs.

"I think energy is an area where there is always bipartisanship," said Portman, who serves on the Energy Committee with Shaheen.

President Barack Obama, however, could singlehandedly squander any goodwill with Republicans when it comes to energy. The two-month deal to extend the payroll tax cut included a GOP sweetener, requiring Obama to decide by next month whether to approve a Canada-to-Texas oil pipeline. But Democrats are pushing the president to essentially veto the \$7 billion Keystone XL project.

"If the president doesn't approve [Keystone], it will be based on political considerations instead of the facts," said Sen. Kelly Ayotte (R-N.H.). "I hope the president — given where unemployment is, where our economy is — he will do the right thing and approve the project which is going to create thousands of jobs in this country."

Defense

Obama has vowed to veto any legislative attempts to roll back the \$1 trillion in automatic cuts to defense and domestic spending that take effect in 2013 and were triggered by the collapse of the supercommittee.

But the president's proclamations won't stop defense-friendly Republicans from trying.

House Armed Services Committee Chairman Buck McKeon (R-Calif.) is eager to move forward on a bill that would delay the first year of defense cuts by paring back the federal workforce. And Arizona Republican Sens. Jon Kyl and John McCain are teaming with other colleagues on legislation that seeks to undo the roughly \$500 billion in automatic cuts slated to hit the Pentagon over the next decade.

Kyl, who served on the supercommittee, said it's not only defense programs he's worried about. He wants to stave off automatic cuts to other parts of the government as well — a move that could win favor with some Democrats.

"To allow those draconian cuts to occur would be so dangerous to our national security that we can't let it happen. That's the secretary of defense's point of view," Kyl said of Secretary Leon Panetta, who has called any such cuts "devastating." "I think we'll have a lot of help from those who appreciate national security. We've got to accomplish that."

"Doc fix"

Don't expect a massive Medicare overhaul this year. Still, Congress could try to tackle a longer-term "doc fix" to avert a pay cut for physicians who serve Medicare patients. And reforming the myriad tax extenders that expired last month is a possibility.

It's safe to say those issues will be part of the talks held by the House-Senate conference committee that must strike a deal to extend the payroll tax cut before it expires again at the end of February.

"Every year, we do the doc fix. Every year, we do extenders," said Becerra, who was appointed to the conference panel. "Everyone agrees we've got to do something about them. Why not in a year that will [be] tough to get a lot done, work on things that we both agree with?"back

=====

This email alert has been sent for the exclusive use of POLITICO Pro subscriber Arvin Ganesan. Forwarding or reproducing the alert without the express, written permission of POLITICO Pro is a violation of federal law and the POLITICO Pro subscription agreement. Copyright© 2012 by POLITICO LLC. To subscribe to POLITICO Pro, please go to www.politicopro.com.

=====

To change your alerts or unsubscribe:
<https://www.politicopro.com/member/?webaction=viewAlerts>